



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
MARION COUNTY CLERK**

**Calendar Year 1999**

**EDWARD B. HATCHETT, JR.  
AUDITOR OF PUBLIC ACCOUNTS  
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**EXECUTIVE SUMMARY**  
**MARION COUNTY**  
**EDDIE LEE, COUNTY CLERK**  
**CALENDAR YEAR 1999**  
**FEE AUDIT**

**Financial Condition of the Entity:**

The County Clerk received \$2,364,966, appropriately distributed the correct amounts to third parties, and used the fees earned to operate the clerk's office. The County Clerk paid fiscal court \$69,779 of excess fees for calendar year 1999. There were no outstanding liabilities at year end.

**Comment and Recommendation:**

The County Clerk Should Have Required The Depository Institution To Provide Additional Collateral Of \$46,873 To Protect Deposits.



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Edward B. Hatchett, Jr.  
Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable David R. Hourigan, Marion County Judge/Executive

Honorable Samuel Edward Lee, III, Marion County Clerk

Members of the Marion County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Clerk of Marion County, Kentucky, for the year ended December 31, 1999. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office is required to prepare the financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. This cash basis system does not require the maintenance of a general fixed asset group or general long-term debt group of accounts. Accordingly, the accompanying financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Clerk for the year ended December 31, 1999, in conformity with the basis of accounting described above.

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following area of noncompliance:

- The County Clerk Should Have Required Depository Institutions To Provide Additional Collateral Of \$46,873 To Protect Deposits

To the People of Kentucky  
Honorable Paul E. Patton, Governor  
John P. McCarty, Secretary  
Finance and Administration Cabinet  
Mike Haydon, Secretary, Revenue Cabinet  
Honorable David R. Hourigan, Marion County Judge/Executive  
Honorable Samuel Edward Lee, III, Marion County Clerk  
Members of the Marion County Fiscal Court

In accordance with Government Auditing Standards, we have also issued a report dated July 21, 2000, on our consideration of the County Clerk's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
July 21, 2000



MARION COUNTY  
 SAMUEL EDWARD LEE, III, COUNTY CLERK  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 1999

Receipts

State Fees For Services	\$	10,866
Fiscal Court		5,779
Licenses and Taxes:		
Motor Vehicle-		
Licenses and Transfers	\$	384,507
Usage Tax		890,784
Tangible Personal Property Tax		816,332
Licenses-		
Fish and Game		3,021
Marriage		5,244
Occupational		8,189
Deed Transfer Tax		41,827
Delinquent Tax		62,952
		2,212,856
Fees Collected for Services:		
Recordings-		
Deeds, Easements, and Contracts	\$	15,752
Real Estate Mortgages		27,068
Chattel Mortgages and Financing Statements		54,485
Powers of Attorney		1,245
All Other Recordings		22,924
Charges for Other Services-		
Copywork		4,352
		125,826
Other:		
Reimbursements	\$	5,862
Miscellaneous		1,211
		7,073
Interest Earned		2,566
Gross Receipts (Carried Forward)	\$	2,364,966

MARION COUNTY  
SAMUEL EDWARD LEE, III, COUNTY CLERK  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES  
Calendar Year 1999  
(Continued)

Gross Receipts (Brought Forward) \$ 2,364,966

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$ 293,668	
Usage Tax	864,036	
Tangible Personal Property Tax	308,882	

Licenses-

Fish and Game	3,008	
Delinquent Tax	9,679	
Legal Process Tax	18,464	\$ 1,497,737

Payments to Fiscal Court:

Tangible Personal Property Tax	\$ 66,965	
Delinquent Tax	6,053	
Deed Transfer Tax	39,736	
Occupational Licenses	6,692	119,446

Payments to Other Districts:

Tangible Personal Property Tax	\$ 404,369	
Delinquent Tax	30,325	434,694

Payments to Sheriff 1,720

Payments to County Attorney 9,826

Operating Disbursements:

Personnel Services-

Deputies Salaries	\$ 122,811	
Part-Time Salaries	4,800	

Employee Benefits-

Employer's Share Social Security	13,802	
Employer's Paid Health Insurance	8,536	

MARION COUNTY  
SAMUEL EDWARD LEE, III, COUNTY CLERK  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES  
Calendar Year 1999  
(Continued)

Disbursements (Continued)

Operating Disbursements: (Continued)

Contracted Services-			
Printing and Binding	\$	4,572	
Materials and Supplies-			
Election Supplies		123	
Other Charges-			
Conventions and Travel		3,581	
Dues		450	
Postage		4,897	
Refunds		5,959	
Miscellaneous		180	
		<u>180</u>	\$ 169,711
Total Disbursements			<u>\$ 2,233,134</u>
Net Receipts			\$ 131,832
Less: Statutory Maximum	\$	57,765	
County Clerk's Training Incentive		<u>688</u>	<u>58,453</u>
Excess Fees			\$ 73,379
Less: Expense Allowance			<u>3,600</u>
Excess Fees Due County for Calendar Year 1999			\$ 69,779
Payments to County Treasurer-			
January 31, 2000	\$	65,000	
July 18, 2000		<u>4,779</u>	<u>69,779</u>
Balance Due at Completion of Audit			<u><u>\$ 0</u></u>

The accompanying notes are an integral part of the financial statement.

MARION COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 1999

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting pursuant to KRS 68.210 as recommended by the State Local Finance Officer. Revenues and related assets are generally recognized when received rather than when earned. Certain expenses are recognized when paid rather than when a liability is incurred, including capital asset purchases. Certain other expenses are recognized when a revenue and the related asset can be associated with a corresponding liability due another governmental entity.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.28 percent.

MARION COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 1999  
(Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The County Clerk entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of April 9, 1999, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$46,873 of public funds uninsured and unsecured.

Note 4. Grant

The County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$400. No funds were expended during calendar year 1999, leaving an unexpended grant balance of \$400 as of December 31, 1999.

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COMMENT AND RECOMMENDATION





MARION COUNTY  
SAMUEL EDWARD LEE, III, COUNTY CLERK  
COMMENT AND RECOMMENDATION

Calendar Year 1999

The County Clerk Should Have Required Depository Institutions To Pledge Additional Collateral Of \$46,873 To Protect Deposits

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On April 9, 1999, \$46,873 of the County Clerk's deposits of public funds in depository institutions were uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with Federal Deposit Insurance Corporation insurance, equals or exceeds the amount of public funds on deposit at all times. We recommend that the County Clerk require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times.

*County Clerk's Response:*

*I did not realize that the bank had not pledged sufficient collateral to protect deposits.*

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REPORT ON COMPLIANCE  
AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS





Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Honorable David R. Hourigan, Marion County Judge/Executive  
Honorable Samuel Edward Lee, III, Marion County Clerk  
Members of the Marion County Fiscal Court

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the Marion County Clerk as of December 31, 1999, and have issued our report thereon dated July 21, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Marion County Clerk's financial statement as of December 31, 1999, is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Marion County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness.



Honorable David R. Hourigan, Marion County Judge/Executive  
Honorable Samuel Edward Lee, III, Marion County Clerk  
Members of the Marion County Fiscal Court  
Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Audit fieldwork completed -  
July 21, 2000

